

**ORIGINAL
FILE
THE CONCORD TELEPHONE COMPANY**

**68 CABARRUS AVENUE, EAST
POST OFFICE BOX 227
CONCORD, NORTH CAROLINA 28026-0227**

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

December 9, 1992

**Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554-1600**

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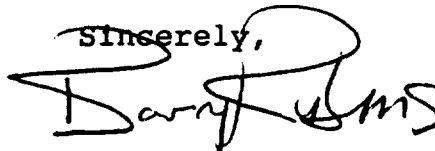
Re: In the Matter of

**Amendment of the Commission's
Rules to Establish New Personal
Communications Services
CC GEN Docket No. 90-314
CC ET Docket No. 92-100**

Dear Ms. Searcy:

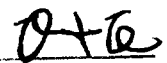
**Enclosed for filing are an original and six (6) copies of
Reply Comments of The Concord Telephone Company in these
proceedings. If you have any questions, please contact the
undersigned at (704) 788-0241.**

Sincerely,



**Barry R. Rubens
Manager - Regulatory Affairs
The Concord Telephone Company**

**cc of Concord
LHABOCE**



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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Amendment of the Commission's
Rules to Establish New Personal
Communications Services

) GEN Docket No. 90-314
) ET Docket No. 92-100
)
) RM-7140, RM-7175, RM-7617
) RM-7618, RM-7760, RM-7782
) RM-7860, RM-7977, RM-7978
) RM-7979, RM-7980
)
) PP-35 through PP-40,
) PP-79 through PP-85

REPLY COMMENTS OF THE CONCORD TELEPHONE COMPANY

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Barry R. Rubens
Manager - Regulatory Affairs
The Concord Telephone Company
68 Cabarrus Avenue, East
P.O. Box 227
Concord, North Carolina 28026

REPLY COMMENTS OF THE CONCORD TELEPHONE COMPANY

SUMMARY

1. There is significant evidence of innovation by small business. For example, there is evidence that small firms produce twice as many innovations per employee as large firms. We have provided information regarding innovation and efficiency in small companies in our comments. We obtained this information directly from the Small Business Administration.
2. The information we obtained from the SBA regarding the efficiency and innovation of small business argues against the concept that "bigger is better" with respect to PCS service areas. We continue to recommend that the Commission create small license areas following the process used for cellular filings (MSAs and RSAs). Use of small license areas will promote the involvement of innovative small businesses, and better ensure that customers in rural areas receive the benefits PCS promises customers in urban areas.
3. We strongly support the Comments filed on November 9 of the United States Telephone Association. This includes the use of MSAs and RSAs as the serving areas for PCS, the provision of five licensed, paired channel sets of 20 MHz for PCS in each serving area, and the full participation of local exchange carriers in these services.

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REPLY COMMENTS OF THE CONCORD TELEPHONE COMPANY

FEDERAL COMMUNICATIONS COMMISSION
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The Concord Telephone Company ("Concord") herewith submits the following reply comments in response to the Commission's Notice of Proposed Rule Making and Tentative Decision in the above captioned dockets and files.

Innovation in Small Companies:

In the original comments of The Concord Telephone Company filed with the Commission in this proceeding on November 9, 1992, we indicated there is evidence that employees of small firms are more innovative than employees of large firms. This type of information is very important to the Commission's ultimate decision regarding PCS license size.

The Commission has "tentatively concluded" that the licensing areas for PCS should be larger than those licensed for cellular. The Commission believes there may be economies of scale and scope involved with PCS, and that large markets may speed the deployment of these services and reduce regulatory and transaction costs. However, the Commission also noted that there may be compelling reasons to consider smaller service areas. One reason for small service areas stated by the Commission was that "broader participation also may produce a greater diversity and degree of technical and service innovation that would be expected from a few large firms."

We believe that there is substantive evidence that there would be increased technical and service innovation with the participation of small firms in PCS.

We have provided a excerpt from the US Small Business Administration's 1987 Annual Report on Small Business and Competition (page 59), which was included with a report from the President to Congress on the state of small business.

Small Business as Innovators

Small firms play an important role in the development and introduction of new goods and services to the marketplace. Recently amassed empirical evidence has affirmed the importance of small firms in the innovative process.

Although large firms generally have more internal funds to allocate toward research and development, it is not very difficult to explain the significant role played by small firms in the innovation process. After all, the motivation behind the formation of many new small firms is the perceived ability to bring a new product or service to the marketplace. Also, in large firms, employee responsibilities are more narrowly defined and decisionmaking is more compartmentalized. A small firm employee's broader exposure to the firm's activities, combined with greater opportunities for employees to communicate ideas to decisionmakers, helps small firms to formulate and develop ideas for improving products and introducing new products. The simpler decision making process in small firms also allows them greater flexibility in responding to new ideas.

A study by the National Science Foundation (NSF) revealed that, compared to large firms, small firms spend about twice as much on their research and development dollars on fundamental research. Large firms spend greater proportions of their research and development budgets on such activities as analyzing product development, production, marketing, and distribution issues.

The emphasis of research and development expenditures by small firms is reflected in their especially strong contribution of fundamental product and service innovations. Under contract to the SBA's Office of Advocacy, the Futures Group reviewed 46 technology, industry, and trade journals, identifying a total of 8,074 product and service innovations in 1982. Relative to their

total employment -- i.e., on a per employee basis -- small firms contributed over twice as many "first-of-type" innovations. This is a particularly interesting finding because extrapolation from the NSF study reveals that, compared to large firms, small firms collectively allocate a smaller proportion of their employees to research and development positions.

The innovation process benefits the economy in at least two ways. First, the introduction of successful new products and services increases the variety of goods and services from which consumers can choose. Second, some innovations play an intermediate role in the production of other goods and services, and to the extent that these intermediate goods and services reduce the production costs or improve the quality of finished goods or services, efficiency is enhanced.

We were able to identify a number of documents from the US Small Business Administration which support the innovative role of small business in our economy. These documents include the report referenced above, as well as Innovation in Small Firms, Issue Alert Number 8, July, 1986, US Small Business Administration Office of Advocacy. We encourage the Commission to consider this research in their ultimate decision on PCS service areas.

Comments of the United States Telephone Association:

We strongly support the comments of the United States Telephone Association (USTA) in this proceeding. We believe implementation of the recommendations put forward by the USTA will provide for the rapid deployment of these services, promote competition and diversity of services, and ensure the universality of PCS.